

Tackling undeclared work in the European Union and in Italy

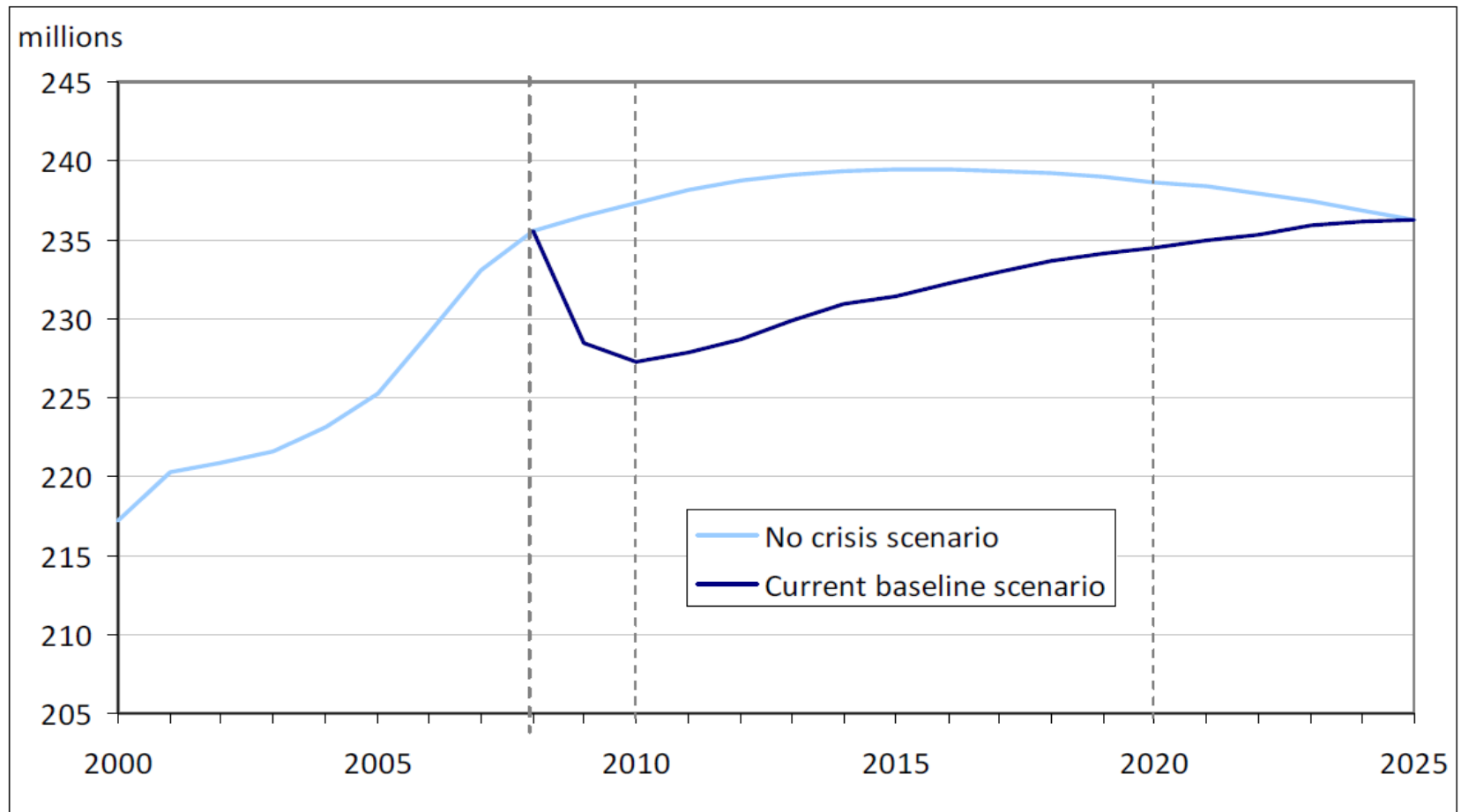
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- Scenario
- Definition of undeclared work
- Measurement
- Nature of undeclared work
- Tackling undeclared work
- In Italy

Scenario

Figure 3. Impact of the recession on employment, EU-27⁺



Source: Cedefop (CE estimates based on E3ME).

Definition of undeclared work



Productive activities that are lawful but circumventing declarations to tax authorities or social security institutions

How big is the undeclared economy?

Nobody knows

Estimates range from 2% - 38%

- Indirect versus direct methods
- 2007 Eurobarometer wave 67.3 survey
 - Validity: 88% of interviews reported fair or very good cooperation. 2% reported cooperation as bad.

- Conventional view: low-paid undeclared wage employment performed under exploitative working conditions by marginalised groups out of economic necessity as a last resort
- Starting to unravel diversity of undeclared work:
 - Wage employment vs. self-employment
 - Diverse types of undeclared wage employment
 - Envelope wages
 - Diverse types of undeclared self-employment
 - Hidden enterprise culture
 - Paid favours

Configuration of undeclared work

Type	% of all undeclared work
Undeclared wage employment	20
Self-employment for family, friends, neighbours & acquaintances	55
Self-employment for other private persons or households	20
Other/don't know/refusal	5

- Typology of potential policy approaches
- EU current approaches

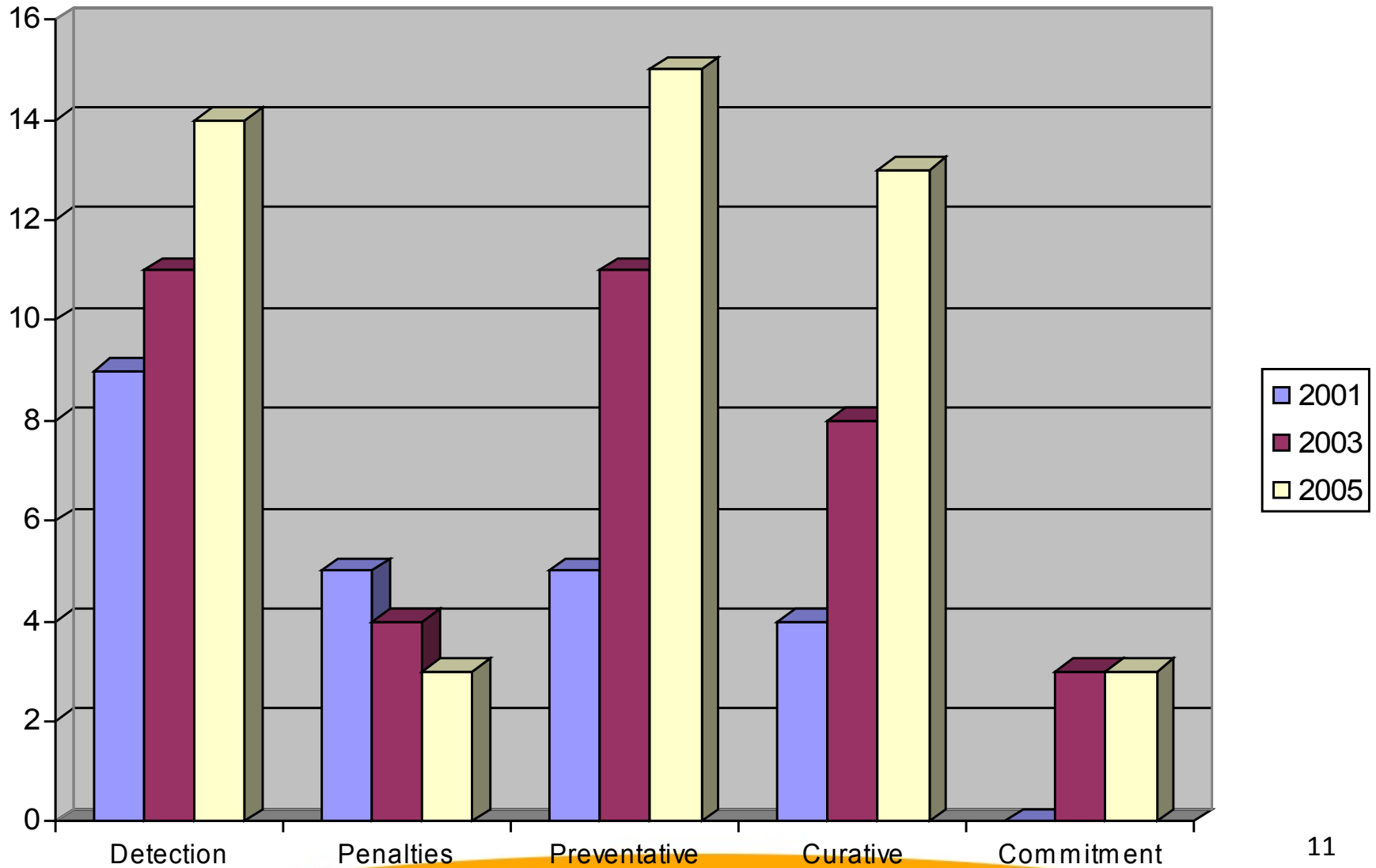
Typology of potential policy approaches

Approach	Method	Measures
Deterrence	Improve Detection	Data matching and sharing Joining-up strategy Joining-up operations
	Penalties	Increase penalties for evasion
Enabling compliance	Prevention	Simplification of compliance Direct & indirect tax incentives Smooth transition to self-employment Introducing new categories of work Micro-enterprise development
	Curative/ Stimulating	Demand-side incentives - service vouchers; targeted direct taxes; targeted indirect taxes Supply-side incentives - society-wide amnesties; voluntary disclosure; business advisory services
	Fostering commitment	Education Peer-to-peer surveillance Tax fairness; Procedural justice; Redistributive justice

Several data sources examined:

- the 2001 and 2003 National Action Plans for Employment (NAPs) and the National Reform Programmes 2005-2008 (NRPs) of each Member State;
- European Employment Observatory international review of policy initiatives, and
- European Industrial Relations Observatory (EIRO) survey of undeclared work.

Figure 1 Current approaches used to tackle undeclared work in EU



- EU shifting from deterrence alone and towards combining deterrence, preventative and curative measures since Employment Policy Guideline no. 9 in 2003.
- Within this, Member States have largely tailored their approaches to suit the configuration of undeclared work in their countries
- Taking-up initiatives to engender ‘commitment’ to tax morality has been relatively slow.

IN ITALY

Italy – Irregular labour units by types of occupation

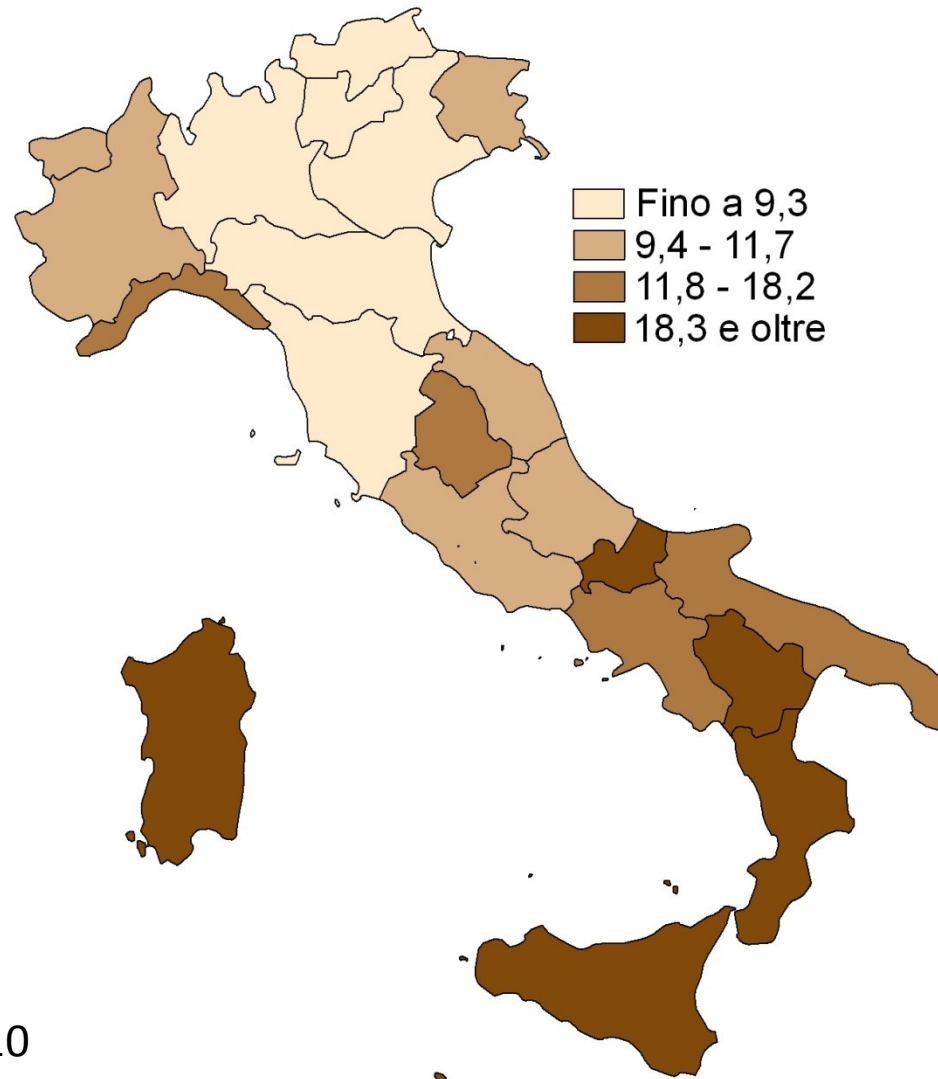
Years 2001-2009 (thousands)

Years	Irregular residents	Foreigner	Multiple positions	Total
2001	1.626	721	934	3.280
2002	1.644	464	948	3.056
2003	1.686	114	1.012	2.812
2004	1.628	213	1.022	2.863
2005	1.610	274	1.049	2.933
2006	1.623	352	1.001	2.976
2007	1.618	383	968	2.968
2008	1.606	407	944	2.958
2009	1.652	377	937	2.966

Irregularity rate of work units by sector

Years 2001-2009	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sector									
Agriculture	20,9	21,0	18,3	18,9	22,1	22,7	23,9	24,5	24,5
Industry:	7,4	6,6	5,7	5,7	5,8	5,9	5,6	5,7	6,2
<i>Industry strictu sensu</i>	4,6	4,2	3,8	3,8	3,8	3,8	3,9	4,0	4,4
<i>Costructions</i>	15,7	13,3	11,2	10,9	11,0	11,3	10,1	9,8	10,5
Services:	15,8	14,5	13,5	13,6	13,8	13,7	13,5	13,5	13,7
<i>Distribution and trade, Hotels, public services, repair services, transports</i>	19,7	19,5	18,4	18,4	19,0	18,5	18,0	18,0	18,7
<i>Financial services, business and real estate services</i>	10,4	10,0	10,1	9,4	9	8,9	8,9	9,1	9,9
<i>Other services</i>	14,5	11,8	10,2	10,9	11,1	11,3	11,4	11,3	10,6
Total	13,8	12,7	11,6	11,7	12,0	12,0	11,9	11,9	12,2

Undeclared work in Italy



In Italy, policies are focused on Improving Detection and Curative/ Stimulating policies

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Are current approaches appropriate and effective?

- Little systematic evaluation of the effectiveness of different policy measures
- Little systematic sharing of knowledge on 'good practice'
- Outcome: lack of knowledge on what works and what does not

- **Need to benchmark** where we are in terms of policy approaches
- **Evaluating whether the current approach is most effective** and appropriate for tackling undeclared work
- **Improving detection** (Data matching and sharing, Joining-up strategy Joining-up operations)
- Improving **preventive policies** and **fostering commitment**